

e-Banking Adoption in India

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ABSTRACT

Internet banking, both as a medium of delivery of banking services and as a strategic tool for business development, has gained wide acceptance internationally and is fast catching up in India with more and more banks entering the fray. In the context of e-banking, this theory suggests that there may be some customers who are more open to adopting new technologies than others, and that the adoption of e-banking services may spread gradually over time. The growth of electronic banking (e-banking) has been significant in India in recent years, but there are still many customers who have not adopted these services. Based on the survey results, the research will propose solutions to overcome these barriers and encourage more widespread adoption of e-banking in India. So, it is a big challenge for marketers and makes consumers satisfied regarding their security concerns, which may further increase online banking use. A quantitative research design will be adopted, using a survey method to collect data.

KEYWORDS: e-banking, net banking, quantitative research, factors

How to cite this paper: Dr. Parmeshwar Yadav | Ms. Pallavi Talmale "e-Banking Adoption in India" Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-7 | Issue-2, April 2023, pp.861-866, URL: www.ijtsrd.com/papers/ijtsrd56186.pdf



IJTSRD56186

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I. INTRODUCTION

The entry of Indian banks into Net Banking:

Internet banking, both as a medium of delivery of banking services and as a strategic tool for business development, has gained wide acceptance internationally and is fast catching up in India with more and more banks entering the fray. India can be said to be on the threshold of a major banking revolution with net banking having already been unveiled. A recent questionnaire to which 46 banks responded, has revealed that at present, 11 banks in India are providing Internet banking services at different levels, 22 banks propose to offer Internet banking in near future while the remaining 13 banks have no immediate plans to offer such facility.

At present, the total Internet users in the country are estimated at 9 lakhs. However, this is expected to grow exponentially to 90 lakhs by 2003. Only about 1% of Internet users did banking online in 1998. This increased to 16.7% in March 2000. * The growth potential is, therefore, immense. Further incentives provided by banks would dissuade customers from visiting physical branches, and thus get 'hooked' to the convenience of arm-chair banking. The facility of accessing their accounts from anywhere in the world by using a home computer with Internet connection,

is particularly fascinating to Non-Resident Indians and High Net worth Individuals having multiple bank accounts.

Costs of banking service through the Internet form a fraction of costs through conventional methods. Rough estimates assume teller cost at Re.1 per transaction, ATM transaction cost at 45 paise, phone banking at 35 paise, debit cards at 20 paise and Internet banking at 10 paise per transaction. The cost-conscious banks in the country have therefore actively considered use of the Internet as a channel for providing services. Fully computerized banks, with better management of their customer base are in a stronger position to cross-sell their products through this channel.

Theoretical Background:

The adoption of e-banking in India can be explained by several theories and models of technology adoption. One such model is the Technology Acceptance Model (TAM), which suggests that perceived usefulness and ease of use are the primary factors that influence technology adoption. In the context of e-banking, perceived usefulness refers to

the extent to which customers perceive e-banking services as beneficial and relevant to their banking needs. Ease of use refers to the extent to which customers perceive e-banking services as user-friendly and easy to navigate.

Another model that is relevant to e-banking adoption in India is the Unified Theory of Acceptance and Use of Technology (UTAUT), which posits that performance expectancy, effort expectancy, social influence, and facilitating conditions are the primary factors that influence technology adoption. In the context of e-banking, performance expectancy refers to the extent to which customers believe that e-banking services will improve their banking performance, while effort expectancy refers to the extent to which customers believe that e-banking services will be easy to use. Social influence refers to the extent to which customers are influenced by the opinions of others, such as friends or family members, while facilitating conditions refer to the extent to which customers have access to the necessary infrastructure and resources to use e-banking services effectively.

In addition to these models, the Diffusion of Innovation Theory may also be applicable to e-banking adoption in India. This theory suggests that the adoption of new technologies follows a bell-shaped curve, with innovators and early adopters at the front of the curve, followed by the early and late majority, and finally the laggards. In the context of e-banking, this theory suggests that there may be some customers who are more open to adopting new technologies than others, and that the adoption of e-banking services may spread gradually over time.

Overall, these theoretical models provide a useful framework for understanding the factors that influence e-banking adoption in India. By taking into account the perceived usefulness, ease of use, social influence, and facilitating conditions that affect e-banking adoption, banks and policymakers can develop strategies that are better aligned with customer needs and preferences, and that can encourage more widespread adoption of e-banking services in India.

Some key-points are:

1. Additional Transaction Revenues: Banks can derive revenues over and above their offline revenues by charging for online services and value-added services, such as providing a portal for financial services linked to short-and long-term insurers, links to stock brokers, and links to foreign banks and other type of financial institution.

- 2. Savings from Reduced Transactional Costs:** On the internet, customers serve themselves, negating the need for frontline staff. According DiDio the average transaction cost at a full-service bank is about \$1.07. It reduces to \$0.27 at ATM and falls to about a penny if the same transaction is conducted on the web (Ravindra Kumar-2012). Cyber space is cheaper to operate in than bricks-and-mortar structure and this cost benefits are often passed along to the consumer. The internet banking cost structure allows consumer to receive cost saving and financial benefit for banking online.
- 3. No Need of More Staff:** Savings are gained from reductions in staff, reduction in branch sizes, and reduction in consumable costs: such as paper, registers and books, ink cartridges, and other stationery.
- 4. Opportunities for Acquiring New Customers:** Customers looking for the flexibility and convenience offered by internet banking will be attracted to banks providing the best services.
- 5. Income generation through other Financial Institution:** Existing customers can be sold products that they do not have in their portfolio such as a second credit card, life insurance, and home loans among others.
- 6. Paperless Work:** Every banking service is computerised; bankers save all the paper work and bank save the trouble of maintaining physical records. Sometimes banks records are nothing manual hence the records are perfect and accurate.
- 7. Continuous Improvement:** There is improvement in terms of customer access online banking services facility, that's why the bank can access more and more customers within a short period time through the online banking service facilities.
- 8. Offer all Services to the Customers:** Banks can offer all types of services to the customers through online banking. It is the way of reaching the final customers, bank making more transactions through online banking services then automatically increases his business activity.
- 9. Increase Storage Efficiency:** Electronic storage saves several people from storing copies of the same document. It keeps you away from having to find storage space and helps in easy access of the files. With digital files, their more likely to locate the missing document by searching for key words.
- 10. Geographical Reach:** Internet banking allows expanded customer content through increased

geographical reach and lower cost delivery channels. In fact some banks are doing business exclusively via the internet they do not have traditional banking offices are only reach their customers online.

Research Problem and Statement:

As per main problems are described in this research paper, government should take initiatives to have an eye on those problems and should take an immediate action to improve e- banking facilities, services to get a new direction towards growing Digital India. Overall, e-banking in India has the potential to transform the banking industry and bring about positive changes in the lives of the people. However, it is important to ensure that e-banking is accessible and user-friendly for all sections of society, including those who may not be technologically savvy or may not have access to the internet.

The growth of electronic banking (e-banking) has been significant in India in recent years, but there are still many customers who have not adopted these services. This lack of adoption is a problem for both banks and customers, as e-banking offers many benefits such as increased convenience, accessibility, and cost savings. Therefore, the problem is to identify the factors that hinder the adoption of e-banking services among Indian customers and to propose solutions that can encourage more widespread adoption of e-banking.

One potential factor that may hinder e-banking adoption in India is the lack of internet connectivity and infrastructure in some areas, particularly in rural areas. Another potential factor is the language barrier, as many Indian customers may not be comfortable using e-banking services in English or may not have access to services in their preferred language. In addition, some customers may have concerns about security and privacy, or may have a preference for traditional banking methods due to a lack of familiarity with e-banking or a lack of confidence in their ability to use it effectively. Therefore, the research aims to identify the key barriers to e-banking adoption in India and to explore ways to overcome these barriers.

The research will be based on a survey of bank customers in India, with a focus on those who have not yet adopted e-banking services. The survey will be designed to gather information on the factors that influence e-banking adoption in India and to identify the most significant barriers to adoption. Based on the survey results, the research will propose solutions to overcome these barriers and encourage more widespread adoption of e-banking in India.

The findings of this research will be useful for banks and other financial institutions operating in India, as well as policymakers, in developing strategies to increase e-banking adoption and improve customer satisfaction. Additionally, the research will contribute to the broader understanding of technology adoption and the factors that influence it in emerging markets like India.

Preliminary Literature Review:

1. E BANKING: FACTORS OF ADOPTION IN INDIA – By: Shilpi Khandelwal Author described:

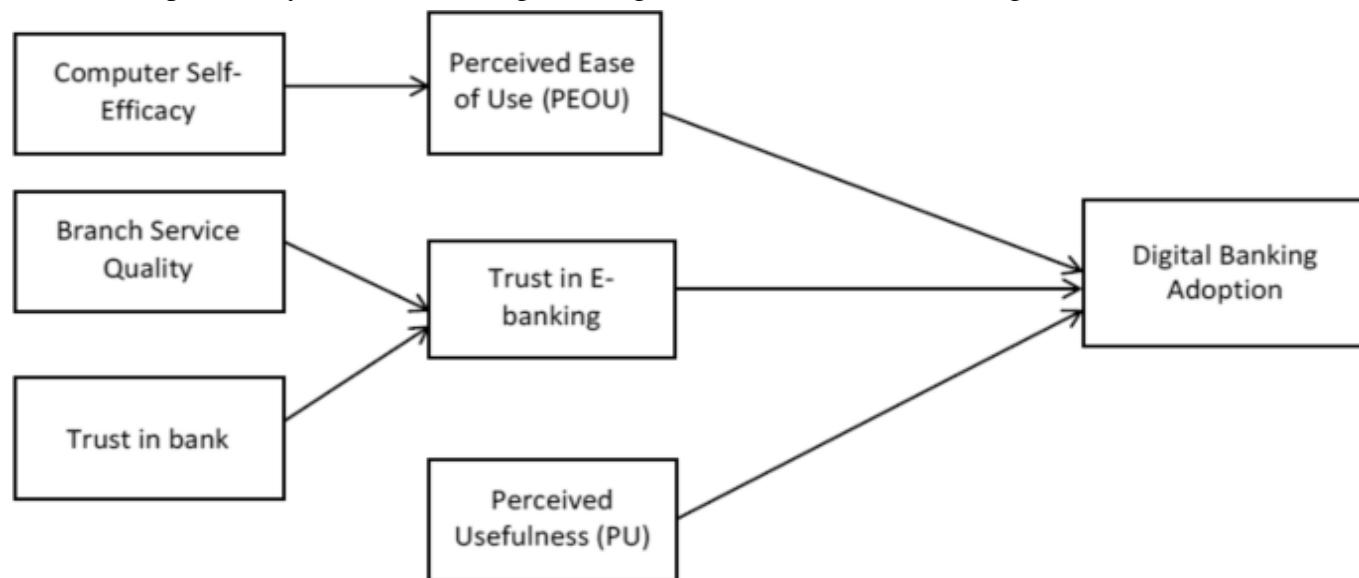
The last decade has witnessed a drastic change in the economic and banking environment all over the world. Internet banking has brought about a 360 degree change in the entire banking industry. How consumers have accepted internet banking and how to improve the usage rate were the focus of research area in this study. Nowadays, banks are seeking alternative ways to provide and differentiate amongst their varied services. The Internet, much like the ATM that came before it, is fundamentally a new distribution channel through which banks can deliver traditional banking products and services. It is interpreted that the female respondents are yet to get fully involved in Internet purchase (Journal of Internet Banking and Commerce, 2006).

2. PRESENT STATUS OF E-BANKING IN INDIA: CHALLENGES AND OPPORTUNITIES – By: Mrs. Ani Smriti, Mr. Rajesh Kumar Ph. D Scholar Author described:

E-banking, also known as online banking or virtual banking or internet banking is a system that enables banking transactions like transfer of funds, payment of loans and EMIs, deposit, and withdrawal of cash virtually with the help of the internet. According to UNCTAD, (2002) stated that deployment of retail or wholesale banking services over the internet is often referred to as E-banking which involves individual and corporate clients, and includes bank transfers, payments and settlements, documentary collections and credits, corporate and household lending, card businesses, and some others. They have not focused on the digitalization of the banking sector and the various components of e-banking and how the economy will move towards being a cashless economy, given the present state of internet penetration and different schemes launched by the Govt. Though, different scholars defined the term electronic banking in a different ways all greed up on that E-banking is getting/accessing bank services through ATM's, PC's, mobile devices etc. According to the RBI in its Annual Report 2020-21 stated that

the payment systems recorded a robust growth of 26.2% in terms of volume on top of the expansion of 44.2% in the previous year. So, it is a big challenge

for marketers and makes consumers satisfied regarding their security concerns, which may further increase online banking use.



Overall, e-banking in India has the potential to transform the banking industry and bring about positive changes in the lives of the people. However, it is important to ensure that e-banking is accessible and user-friendly for all sections of society, including those who may not be technologically savvy or may not have access to the internet.

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Methodology:

- 1. Research Design:** A quantitative research design will be adopted, using a survey method to collect data. This approach will allow for the collection of numerical data that can be analyzed using statistical tools.
- 2. Sample Selection:** The sample size will be determined based on the research objectives and the level of precision required. A random sampling technique will be used to select the respondents. The sample will include individuals who are currently using e-banking services, those who have not yet adopted e-banking services, and those who have discontinued using e-banking services.
- 3. Data Collection:** Data will be collected using a structured questionnaire that will be administered to the respondents. The questionnaire will be pretested to ensure that it is valid and reliable. The questionnaire will include questions on

demographic characteristics, level of awareness of e-banking, perception towards e-banking, factors affecting the adoption of e-banking, and the level of satisfaction with e-banking services.

- 4. Data Analysis:** The data collected will be analyzed using statistical tools such as regression analysis, factor analysis, and chi-square test. The analysis will involve identifying the factors that influence the adoption of e-banking, examining the level of awareness of e-banking among consumers in India, investigating the perception of consumers towards e-banking in India, and analyzing the impact of demographic variables on the adoption of e-banking in India.
- 5. Findings and Conclusion:** The findings of the study will be interpreted and discussed in the context of the research objectives, hypotheses, and the existing literature. The implications of the findings for e-banking providers and policymakers will also be discussed. Finally, a conclusion will be drawn that summarizes the main findings of the study and provides recommendations for further research and practical applications.

Based on my research, it can be concluded that e-banking adoption in India has been on the rise in recent years due to various factors such as the government's push towards digitalization, increased internet penetration, and the convenience of online banking. However, there are still some barriers to adoption, including security concerns, lack of digital literacy, and limited access to technology in certain areas. To increase e-banking adoption in India, it is important to address these barriers and provide more education and resources to help people feel comfortable with online banking. Additionally, banks should continue to innovate and offer new features and services to attract more customers to their online platforms. Overall, the future of e-banking in India looks promising as more and more people become comfortable with digital banking and the benefits it offers.

Digitalization has become conclusive for the banking sector in India, which plays a major role in providing better services to customers. Internet banking is one of the most significant banking channels that allow consumers to do many transactions, either financial or non-financial through a bank's websites. The various services offered are Internet banking, SMS banking, ATMs, mobile banking, e-cheques, UPI, and debit/credit cards.

In today's world of globalization, e-banking is a significant aspect of the development of the banking sector by solving major issues, challenges faced by e-

banking. The Indian banking industry can develop customer loyalty towards the banking sector. This can be done through training and development and by making the banking process easier and familiar to the customers.

The younger generation is beginning to see the convenience and benefits of e-banking. In the years to come, e-banking will not only be an acceptable mode of banking but will be preferred mode of banking in India. Private sector banks represent more of the POS terminal market as compare to public sector banks. The prepaid payment instruments in the country are mostly paid through mobile wallets.

The Government of India and various government agencies are making an effort to make e-banking more safe, secure, and reliable with the convenience of digital channels. Most of the customers are visiting branches less often and they use online and mobile technology for their banking needs more often. Online and mobile banking are rapidly growing. Nowadays most of the people of India using e-banking for their transactions and make them stand with the current scenario of the country

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